

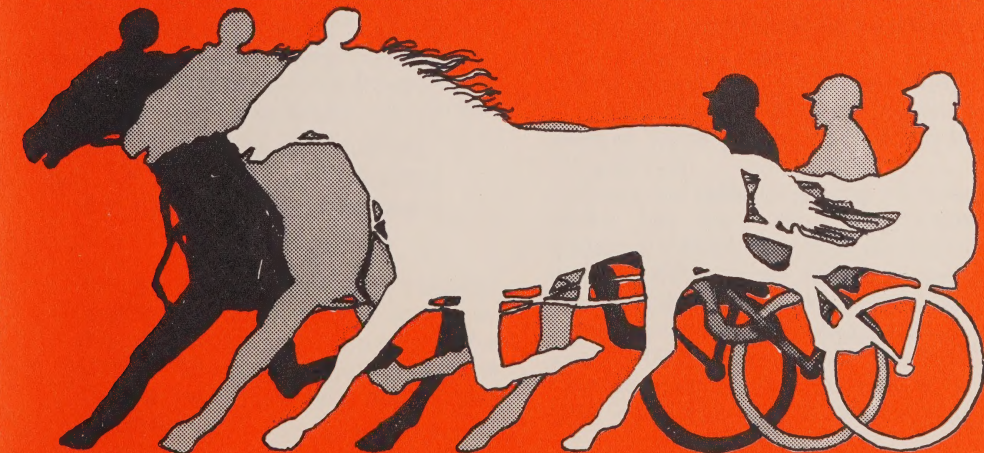
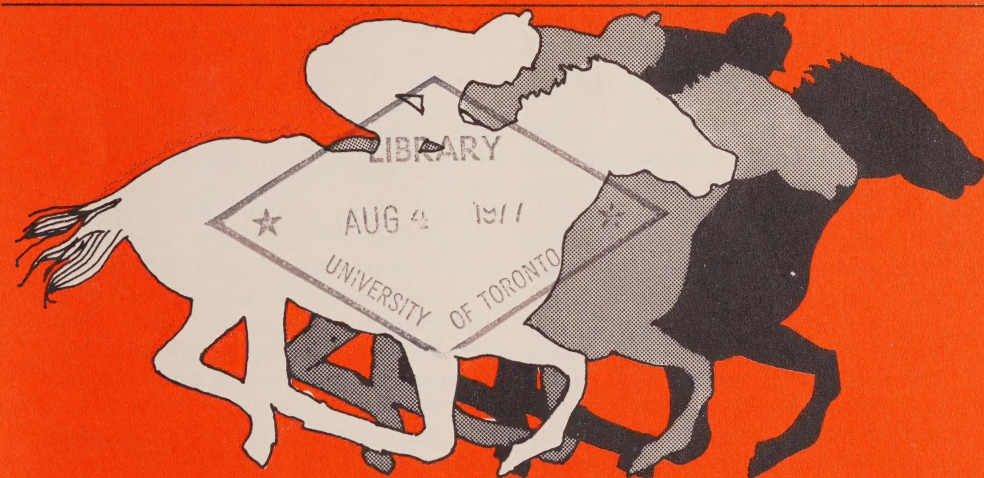
# THE INSIDE TRACK ON TAX SHARING

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Ontario

Ministry of  
Consumer and  
Commercial Relations



# Tracks, Turf AND TAXES

Horse racing is an important industry to this province. It employs over 25,000 people directly each year and that figure does not include the thousands who produce equipment and feed or who provide transportation and other services related to racing.

Attendance at tracks was over 6.5 million in 1976 and that number is steadily increasing as both thoroughbred and harness racing become ever more popular. Because of this increasing popularity, tracks have been added, improved and expanded and the racing season has been extended to nearly 1800 track days.

In order to closely control and supervise the entire horse racing operation, the provincial government enacted The Racing Commission Act and established the Ontario Racing Commission under the Ministry of Consumer and Commercial Relations, to administer it.

**The Ontario Racing Commission was established under The Racing Commission Act, to:**

- ☐ govern, direct, control and regulate horse racing in Ontario in any or all of its forms;
- ☐ govern, control and regulate the operation of race tracks in Ontario;
- ☐ hold necessary hearings;
- ☐ enforce regulations, rules and conditions established under The Racing Commission Act;
- ☐ licence persons to operate race-tracks;
- ☐ licence owners, trainers, drivers, jockeys, apprentice jockeys, grooms, jockeys' agents and valers, exercise boys, tradesmen and other persons directly associated with the conduct of racing;
- ☐ impose such terms and conditions on licences as the commission considers expedient;
- ☐ fix and collect fees or other charges for licences;
- ☐ make and promulgate rules for the conduct of horse racing;
- ☐ require approval by the commission for the appointment of race track officials and employees;
- ☐ set, impose and collect fines and penalties;
- ☐ require persons licenced to operate race tracks to keep books of account in a manner satisfactory to the commission and to inspect such books at any time;
- ☐ carry out other related activities as authorized or directed by the Lieutenant-Governor-in-Council.



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## What is the Ontario Racing Commission tax sharing agreement?

Provincial and federal governments collect a tax from bettors at all race tracks. This tax is a percentage of the amount wagered. At present, the Ontario tax is set at seven per cent of the parimutuel "handle" or amount wagered. In 1968, the Ontario government raised its parimutuel tax by one per cent to the present level. At that time, it was stated that the extra money would be allocated to further the goals and requirements of Ontario's racing industry. This evolved in 1974 to the present tax sharing agreement between the industry and the province.

## How was this agreement reached?

All areas of the horse racing and breeding industry in Ontario were consulted. Associations such as the Ontario Standardbred Improvement Association Incorporated, Ontario Harness Horsemen's Association, Canadian Standardbred Horse Society, Horsemen's Benevolent and Protective Association, Canadian Thoroughbred Horse Society, National Association of Canadian Racetracks (Ontario division), Harness Tracks of Ontario and others submitted their views of the proposed program and how it could best be implemented and administered to serve the needs of the industry in Ontario. Agreement between the province and the industry was reached and the program came into effect in 1974.

## What is the purpose of the agreement?

The tax sharing agreement between the Ministry of Consumer and Commercial Relations, through the Ontario Racing Commission and the Ontario racing industry, serves four purposes:

- ☐ to supplement purses paid to the owners;
- ☐ to improve the quality and quantity of racing stock in Ontario;
- ☐ to improve the quality of the facilities at the Class III circuit standardbred tracks in the province;
- ☐ to fund equine research programs.

## Why is this agreement needed?

Purse levels paid at the race tracks were insufficient to meet owners' operating costs and in some cases an inadequate supply of horses threatened closure of race tracks and the corresponding loss of racing in affected areas.

Because Ontario had few good sires, millions of dollars were leaving the province annually as Ontario horsemen purchased foreign stock, both standardbred and thoroughbred.

There was little possibility for Ontario stallion owners to acquire better stallions to compete with American farms, and little incentive for breeders to use Ontario sires.

Aside from cash outflow, potential employment in the industry was not realized.

How much money is raised?

In 1977 money rebated through this agreement will amount to \$5.7 million. This is one per cent of the money wagered at Ontario tracks during the previous year.

It is this portion of the parimutuel tax which is allocated to the improvement of horse racing and breeding in the province.

Provincial revenue during 1976, at seven per cent of the amount wagered, was \$40.2 million. Added to this are other taxes collected from tracks and concessions. Since the implementation of the present agreement in 1974, net provincial revenues from parimutuel wagering rose from \$25.2 million in 1973 to \$28.9 million

in 1974, \$32.9 million in 1975 and \$34.8 million in 1976.

Who administers this money?

The province of Ontario Horse Racing and Breeding Advisory Board was appointed by order-in-council to advise and make recommendations to the Ontario Racing Commission on all matters relating to the race track tax sharing arrangement and the racing and breeding assistance programs funded from the tax rebate.

The board comprises:

J. Glen Brown	Chairman, member of Ontario Racing Commission
W. Beasley	Canadian Thoroughbred Horse Society
E. J. Boland	Ontario Standardbred Improvement Association
L. Ehrlick	Ontario Harness Horsemen's Association
J. C. Lang	Canadian Standardbred Horse Society
J. J. Mooney	National Association of Canadian Race-tracks (Ontario)
L. D. Regan	Horsemen's Benevolent and Protective Association
W. Rowe	Harness Tracks of Ontario

### **What benefits are derived by participation in this project?**

By improving existing standardbred farms in Ontario and by providing incentive to develop new ones, both direct and indirect employment is created. Improvement of the breed and of tracks and facilities result in increased attendance with a corresponding increase in the amount wagered.

Exportation of quality stallions and breeding stock from Ontario is reduced when incentives such as the Sires Stakes program, breeders' awards and purse supplements exist through the tax sharing agreement.

Capital outflow to the United States is also reduced as breeders are provided with economic incentive to use Ontario sires, the resulting foals being eligible to race for higher purses in the Ontario Sires Stakes.

### **What are some of the details of the programs funded through the arrangement?**

Both thoroughbred and standardbred racing are funded by the one per cent rebate of money wagered. As standardbred racing accounts for about two thirds of wagering in the province, a corresponding amount of money is returned to standardbred programs with the remaining third returned to thoroughbred programs.

These funds are then apportioned to research, breeders' incentive programs, improvement of facilities and increasing racing purses.

### **The Ontario Sires Stakes program.**

Begun in 1974, the Ontario Standardbred Sires Stakes program has proved valuable in the following ways. It has reduced the outflow of Ontario capital to the United States for the purchase of yearlings, improved Ontario stock through economic incentive to breeders and increased employment in the racing industry.

The OSS, established to assist breeders and owners of two and three-year-old trotters and pacers, supplements purses in stakes races at tracks throughout the province. It's a self-help program where breeders, horsemen and tracks contribute nearly half of the operating funds.



In 1976 there were 100 OSS events with purses of \$2.9 million. To be eligible for these races, foals must have been sired by stallions standing in Ontario. These stallions must either be owned or leased by an Ontario resident for a period of seven years or more.

As a result, the number and quality of sires in the province has improved considerably and through increased economic incentive breeding has improved.

The success of the program is also demonstrated by the fact that more and more owners from outside Ontario are seeking Sires Stakes eligibles to be campaigned in the province. Similarly breeders from outside Ontario are sending an increasing number of mares to Ontario farms to be bred to Ontario stallions.

Because of the success of the standardbred venture, a similar program was launched in 1975 for thoroughbreds. Eight Sires Stakes races were held last year, with payments of \$142,700 through the tax sharing agreement. Industry contributions of about \$161,000 increased the total purse money to over \$300,000. Similar success for this program is anticipated, and 94 stallions have already been registered.

### **Improving the quality of racing stock**

A direct result of the cooperation between industry and government in providing economic incentives has been the improvement of Ontario racing stock. An encouraging trend by Ontario breeders to purchase quality fillies and mares for breeding is indicated by recent sales statistics which show that the proportion of mares purchased has increased substantially since the inception of the agreement.

Another indication of the success

of the two programs is a reduction in price disparity between Ontario and non-Ontario sired yearlings. In 1971, Ontario-sired yearlings sold for less than half the price of American sired yearlings; by 1976 the gap had narrowed to a 10 per cent difference.

By increasing incentives to both breeders and owners to develop better racing stock in Ontario and to maintain Ontario sires, money remains in the province and industry employment increases.

### **Improving the quality of the facilities at the Class III circuit standardbred tracks in the province.**

Grants are based on each Class III circuit track's share of the total Ontario parimutuel wagering and administered on a cost-sharing basis. Many of these tracks, operated on a non-profit basis by provincial agricultural societies and service clubs, were ill-equipped to handle the crowds, poorly-lighted or without necessary facilities or safety features. Improvement grants have helped rectify this, enabling greater attendance and an extended racing year.

The popularity of standardbred racing throughout the province at the smaller Class II and Class III tracks is shown by attendance figures last year of over 1.2 million people who wagered \$73 million. Of this, the province received \$5 million in direct parimutuel tax.

### **Equine research**

The Ontario Veterinary College of the University of Guelph received \$50,000 from the agreement in 1976 for equine research. In coordination with the E. P. Taylor Equine Research Fund, this money was allocated to various projects such as diseases and function of the respiratory tract,

parasite diseases, experimental surgery and others.

Diseases of the respiratory tract of both farm and race horses is a serious problem and the University of Guelph has just completed a three-year study of these diseases at Ontario standardbred tracks. The report just released defined the prevalent respiratory illnesses and concentrated on prevention and treatment of the problem.

Testing procedures were refined and a study of the actions and interactions of drugs on the equine respiratory system was undertaken to develop better techniques for the control and prevention of inflammation.

### **Thoroughbred breeders' incentives program**

About one-third of the money from the tax-sharing agreement is used to fund thoroughbred programs, which include purse assistance for overnight events and the Sires Stakes races as well as breeders' incentives programs. Purse supplements for the overnight events last year were more than \$1.4 million, an increase from the previous year; Sires Stakes supplements amounted to over \$140,000.

Assistance to the thoroughbred industry is provided through an incentive program for breeders which includes purse support to existing filly and mare stakes to improve their sales appeal and reduce disparity between prices for fillies and those for colts.

As an incentive to Ontario breeders, the provincial government sets aside a portion of the fund for each event. This sum is paid to breeders of the first four horses to finish in Sires Stakes races as well as 32 other Canadian-bred stakes races.

### **Supplementing purses**

After provision for equine research 50 per cent of the funds allocated to standardbred programs are used to supplement the purse levels of overnight races (not stakes races) at all Ontario Class I and II tracks, as well as improving the facilities at the Class III tracks. The balance funds the Ontario Sires Stakes program.

For the thoroughbred programs, again after research grants, 75 per cent of the money is used for overnight purse assistance with the balance going to breeders' incentive programs.

In 1977 supplemental purse grants from the Ontario government will total nearly \$3.3 million, with \$1.8 million of the total going to standardbred purses and the remaining \$1.5 million to thoroughbred purses. By supplementing purses paid to owners, the racing industry and the provincial government are encouraging the purchase of better racing stock and helping to offset increasing operating costs of owners.

The tax sharing agreement is a good example of business and government working together to provide benefits for the residents of Ontario, and the Ministry of Consumer and Commercial Relations is proud of the success of the program. Since its inception in 1974, it has played a direct role in increasing employment in the racing industry, in helping small Ontario farms to remain economically stable, and of course, in enhancing the enjoyment of the 6.5 million Ontario residents who click through the turnstiles annually.

It is this kind of cooperative effort which is responsible for the growth and development of private enterprise in Ontario.



**HOW THE TAX  
SHARING PLAN  
STIMULATES  
GROWTH IN THE  
ONTARIO  
RACING  
INDUSTRY**

More sales of farm produce  
for horse feed

Better employment  
opportunities in rural areas

More quality Foals

Sales Ring Dollars  
\$

More and better sires

Sire Owners

More and better breeding  
stock.

Breeders.

\$

Horse Owners.

\$

Stakes races,  
purse supplements

\$

Grants

Increased Grants

\$

START  
FINISH

Owner

Better Racing

Better Wagering

Better Purses

Better Facilities at Tracks

Better Attendance

More Jobs Generated

Better Wagering

Higher Purses

More Taxes  
\$

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